

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7815

BILL NUMBER: HB 2005

NOTE PREPARED: Feb 17, 2003

BILL AMENDED:

SUBJECT: Assessment of Exempt Property.

FIRST AUTHOR: Rep. Frenz

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FIRST AUTHOR:

FIRST SPONSOR:

BILL STATUS:

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill directs the Department of Local Government Finance (DLGF) to assess all real property eligible for exemption for educational, literary, scientific, religious, or charitable purposes. It provides for appeal of an assessment determination to the Indiana Board of Tax Review.

Effective Date: July 1, 2003.

Explanation of State Expenditures: *Summary:* The estimated cost for professional appraisers to assess approximately 87,000 exempt parcels at a per-parcel cost of \$100 per parcel is estimated to range up to \$8.7M. However, this bill requires the DLGF to adopt rules that provide just valuations for exempt property. If these rules dictate a more simplified valuation method for exempt property, the cost to assess the property could be substantially less than the estimate above. The actual cost to reassess this property would depend on the rules as promulgated by the DLGF.

Methodology: CY 2002 pre-reassessment parcel data from 69 counties are currently available with a reported total of 65,144 exempt parcels. The county average (944 parcels) was then multiplied by 92 to yield an estimated 87,000 exempt parcels statewide. Estimates of the cost for professional appraisers to assess an average commercial parcel were obtained from both the DLGF and the Monroe County Assessor. Both estimate an average cost of assessment to be \$100 per parcel, and this number was used as the average cost for a statewide assessment of exempt parcels.

This reassessment would have to be completed in CY 2004 for taxes payable in CY 2005. In CY 2006, and every four years after, the DLGF would reassess exempt real property as part of the regular reassessment cycle.

Explanation of State Revenues:

Explanation of Local Expenditures: Some counties may incur additional administrative costs in order to produce the list of exempt parcels, but their expenses would be reduced by no longer having to assess these parcels.

Explanation of Local Revenues:

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: County assessors; county auditors.

Information Sources: LSA; Department of Local Government Finance; Monroe County Assessor Judy Sharp.

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